

Memorandum



To: City Council
From: Ken Coleman
Date: April 23, 2015
Re: Property Acquisition

The reason for the recent executive session was to have a discussion with Council regarding the potential acquisition of land. It was preferable to be somewhat confidential in this case because knowledge of this intent may have influenced our ability to negotiate terms.

The property considered for purchase is the Diamond K (previously known as Lazy K Resort) parcel. The 15.93 acre property is currently a zoned PUD and has some improvements situated at various locations. There is one finished cabin and four unfinished cabins, an unfinished large commercial building (6,295 sq. ft.), a series of ponds, 300 feet of river frontage, and several large open spaces.

There are several reasons this property provides value to our community with City ownership. The initial discussion of potential benefits involves the pond system. Years ago, the city had a discharge of unknown contaminants released from the city shop site into this waterway. An extensive clean-up ensued and lengthy discussions with the EPA and CDPHE to resolve the matter. A voluminous report and modifications to our shop site was required. We pursued a stormwater detention easement in these ponds, yet the owner was not interested in that encumbrance to the property.

In the past, we have tried to obtain easements for the 3rd Street and 5th Street rights-of-ways, yet the requisite costs were significant and added costs of required to relocate buildings and infrastructure pieces made it cost prohibitive to pursue. These potential roadway alignments offer enhanced connectivity for the West Gunnison neighborhood.

The current Park & Recreation master plan has identified a lack of community park space in the southwest quadrant of town. The park-like setting of this property lends itself to this use. There are many segments within the parcel that offer diverse options for field, playground and trail use. River frontage is always a premium. Adding another public connection to the river has immeasurable value. Fishing, boating or trail access are possible.

The housing units offer another opportunity for consideration with workforce housing or potentially partnering with the Housing Authority or an organization such as Habitat. One unfinished cabin is situated within the possible alignment for 5th Street and may need to be relocated if we pursue this opportunity.

The large commercial building was being designed as a restaurant/bar, and I have not had an opportunity to inspect the structure and have no preconceived idea of that building's use. I am aware that the interior has been gutted and is unfinished. There are a myriad of options that need to be sorted out if this property is acquired.

The list price was \$1,495,000. This property has been on the market for some time, yet there was no certainty on how long this opportunity may be available. After staff was directed to negotiate the purchase price, we were able to agree on \$1,000,000.

The proposed financing for the purchase would be to use dollars from the Wastewater, Water, Park & Recreation (other recreation improvements), and General Funds. The justification for these allocations is the various benefits that are associated with this parcel.

<i>Fund</i>	<i>Current Cash Balance 2015</i>	<i>Reserve Policy</i>	<i>Payment Share</i>
Water	\$746,815	\$1,000,000	\$50,000
Wastewater	\$1,335,727	\$1,000,000	\$100,000
P&R Other Imp	\$783,866	0	\$450,000
General	\$3,275,639	\$2,866,000*	<u>\$450,000</u>
TOTAL			\$1,050,000

Staff was directed to negotiate terms to acquire the property. As discussed, this is an unanticipated request and will require a budget amendment. There will be closing costs and a survey of the property should be completed to confirm the property boundaries in relation to adjacent parcels.

Staff recommends Council approve the purchase of the property at 1415 W. Tomichi Avenue, Gunnison, Colorado at a cost of \$1,000,000 plus closing costs by resolution. Staff also requests approval to expend additional funds to complete an official survey of the parcel. A closing has been set for May 20, 2015 and will be completed if staff is authorized to execute the contract for purchase. I request this land be named by the City as 'Lazy K'.

****The amount calculated which reflects 40% of the 2015 General Fund operation expense.***